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IN THE

Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v.

MICHELLE K. LEE, Under Secretary of Commerce for Intellectual Property and Director, Patent and Trademark Office,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF *AMICUS CURIAE* INTELLECTUAL PROPERTY OWNERS ASSOCIATION IN SUPPORT OF NEITHER PARTY

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INTEREST OF *AMICUS CURIAE*

The Intellectual Property Owners Association (IPO) is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in intellectual property rights.[1] Since its founding in 1972, IPO has grown to its current membership of more than 200 companies and over 12,000 individuals who are involved in the association, either through their companies or as inventor, author, executive, law firm, or attorney members. IPO regularly represents the interests of its members before Congress and the United States Patent and Trademark Office (USPTO) and has filed *amicus curiae* briefs in this Court and other courts on significant issues of intellectual property law. This brief was approved by the IPO Board of Directors. A list of IPO Board members can be found in the Appendix.[2]

As owners of intellectual property, the members of IPO believe that intellectual property rights promote the innovation, creativity, and investment necessary to address major global challenges and improve lives. IPO strives to maximize innovation

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[1] No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the *amicus curiae* or its counsel made a monetary contribution to its preparation or submission. Cuozzo consented to the filing of this brief via blanket consent filed on February 3, 2016. Respondent provided written consent for this brief submitted herewith.

[2] IPO procedures require approval of positions in briefs by a two-thirds majority of directors present and voting.

across all industries and to improve lives throughout the world by fostering high quality intellectual property rights and effective, harmonized systems to obtain and enforce them, on behalf of all IPO members.

IPO's corporate membership includes companies with valuable patent portfolios protecting their investment in research and development, as well as significant patent litigation dockets with claims of infringement lodged both by and against them. They are also engaged in numerous *inter partes* reviews (IPRs), both as petitioners and as patent holder respondents. As such, IPO provides an important perspective on the development and enforcement of patent rights, before both the USPTO and the courts.

INTRODUCTION AND SUMMARY OF ARGUMENT

IPO will address the following questions presented:

> 1. Whether the court of appeals erred in holding that, in IPR proceedings, the Board may construe claims in an issued patent according to their broadest reasonable interpretation rather than their plain and ordinary meaning.
>
> 2. Whether the court of appeals erred in holding that, even if the Board exceeds its statutory authority in instituting an IPR proceeding, the Board's decision whether to institute an IPR proceeding is judicially unreviewable.

These questions address legal issues that not only impact the validity of thousands of patents currently the subject of IPR proceedings, but also the value of many more patents protecting significant investments in research and development across all indus-

tries, as such patents are subject to IPR challenges throughout their lifetimes.

This Court frequently addresses Federal Circuit opinions that create special standards for patent cases and reconciles them with broader legal concepts. The issues presented in this case are similar: whether traditions created by the USPTO in conducting examination of patent applications and reexamination of patent claims should control the adjudication of patent claims under the Leahy-Smith America Invents Act (AIA), which creates a wholly new adjudicatory IPR proceeding designed as an alternative to district court patent litigation.

In the present case, the Federal Circuit held that the Director of the USPTO has the authority to set the standard for claim construction in IPR proceedings. *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1279 (Fed. Cir. 2015) (*Cuozzo I*). The panel majority based its reasoning in large part on the USPTO's tradition of applying the broadest reasonable interpretation (BRI) standard in examination and reexamination proceedings. This result is not authorized by the AIA. In enacting the AIA, Congress expressly acted to overcome the shortcomings of *inter partes* reexamination, which used the broadest reasonable interpretation standard, by replacing it with new adjudicatory proceedings, including IPR. Congress abolished *inter partes* reexamination in its entirety, established new procedures for IPR adjudications, and in no way expanded the Director's rule-making authority beyond the traditional authority to promulgate only procedural, and not substantive, rules. As a result, the new IPR proceedings are an adjudicatory surrogate for district court litigation where

claims cannot be amended as of right, unlike in reexaminations. There is no basis for USPTO traditions in unrelated reexaminations to overwhelm the clear congressional intent that IPR proceedings would not be conducted using traditional reexamination rules.

IPR proceedings have made the Patent Trial and Appeal Board (PTAB) a fast growing forum for adjudicating patent validity. The PTAB's use of the broadest reasonable interpretation standard in place of the judiciary's long-standing plain and ordinary meaning standard means that the same patent can have two different sets of boundaries in parallel adjudications, namely in concurrent proceedings before the PTAB and a district court. This result is illogical, contradicts decades of black letter patent law that the claims of an issued patent should have the same scope for purposes of adjudicating both their validity and infringement, and casts a shadow of uncertainty over the value of research and development and patent portfolios resulting from that research and development, because investors cannot reliably predict the extent of their property rights.

This Court should reverse the Federal Circuit's decision, as its special reliance on USPTO claim construction traditions in examination and reexamination is not appropriate here. Those agency traditions cannot trump Congress' intent to replace *inter partes* reexamination with the new, adjudicatory IPR proceedings, as well as Congress' decision not to confer new rulemaking authority to the USPTO, allowing it to create substantive rules, such as the one at issue in this case regarding the Director's authority to set claim construction standards for wholly new IPR proceedings.

The Federal Circuit also incorrectly held that the Director's institution of an IPR proceeding is unreviewable. The AIA is drafted to prevent *interlocutory* appeals of the Director's institution decision, and to preclude an appeal of the Director's denial of a petition to institute an IPR. Moreover, once a final decision has been issued, a patent owner cannot appeal the original institution decision on the merits – *i.e.*, that the prior art did not meet the statutory threshold for institution. However, the AIA does not preclude any and all judicial review of the Director's compliance with statutory authority to institute an IPR once a final written decision has issued. Given the widespread use of IPRs to challenge patent validity, their broad estoppel effect, and the integral relationship between IPRs and federal court litigation, it is of paramount importance that the Director not overstep statutory bounds in instituting an IPR proceeding. Judicial review is the method for assuring compliance with the statute. IPO urges the Court not to let stand a decision that would allow a U.S. government agency to exceed its explicit statutory authority granted by Congress.

There is a strong presumption in favor of allowing judicial review of administrative decisions in the absence of clear and convincing evidence of a contrary legislative intent. In this case, there is no clear and convincing evidence that Congress intended to preclude such review, and in fact all the evidence is to the contrary. The language of 35 U.S.C. § 314(d) does not preclude review of all errors. Rather, the statutory language itself precludes interlocutory review and final review in certain circumstances, but those circumstances do not extend to questions of whether statutory boundaries have been exceeded.

The legislative history of the AIA is in accord. Additionally, the Federal Circuit itself has recognized the need for judicial review in directly analogous circumstances involving new AIA post-grant review proceedings.

Congress could not have intended to allow the Director to disregard the clear statutory requirements of IPR institution decisions without consequence. This Court's many decisions on judicial review of agency actions, the plain language of the statute itself, the legislative history of the AIA, and the Federal Circuit's own jurisprudence support this important restraint on the USPTO's ability to alter the legal rights of an affected stakeholder. Any other conclusion treats patent law administrative proceedings differently than other areas of law, and falls out of step with traditional administrative jurisprudence.

ARGUMENT

I. THE PROPER CLAIM CONSTRUCTION STANDARD FOR *INTER PARTES* REVIEWS IS THE JUDICIALLY CREATED PLAIN AND ORDINARY MEANING STANDARD

A. The Standards Applied in IPR Significantly Impact a Company's Ability to Protect Its Product Development Investments

In IPR proceedings, the PTAB, a new adjudicatory body, serves as a surrogate for district court litigation of patent validity "'to review the validity of a patent in a court-like proceeding.'" *Cuozzo I* at 1284 (Newman, J, dissenting) (citing H.R. Rep. No. 112–98, pt. 1, at 68, 2011 U.S.C.C.A.N. 67, 92.) *Inter partes* reviews are becoming the vehicle of choice for challenging a patent's validity. The volume of IPR petitions exceeds original expectations and far surpasses the use of reexaminations. Litigation defendants commonly file an IPR to shift the forum for adjudicating patent validity. In just three years, the landscape for scrutinizing the validity and value of patents covering billions of dollars of research and development has changed dramatically.

Before IPRs were an option, parties challenged patents at the USPTO through (1) *ex parte* reexamination, which proceeded essentially as an extension of the patent's original *ex parte* examination; or (2) *inter partes* reexamination, which allowed the challenger to take an adversarial role in the reexamination process. Brian J. Love & Shawn Ambwani, *Inter Partes Review: An Early Look at the Numbers*, 81 U. Chi. L. Rev. Dialogue 93, 95 (2014). These proceedings used the broadest reasonable interpretation

standard to construe claims. *See Cuozzo I* at 1287-88 (Newman, J., dissenting). However, reexamination developed a reputation for lengthy delays, a lack of decisive results, and a permissive attitude toward claim amendments that led some in the patent bar to view reexamination as a vehicle to strengthen their patent rights *post hoc*, rather than as a tool for possible infringers. *Love and Ambwani* at 95.

As explained below in detail, the AIA replaced the existing regime of *inter partes* reexamination with *inter partes* review. The new legislation mandated a shorter time to completion and assigned reviews to the PTAB – not the corps of USPTO examiners. Legislators hoped these modifications would transform *inter partes* administrative patent challenges into a faster, inexpensive, efficient litigation alternative. *Id.* at 96. In short, reexamination and *inter partes* review bear little resemblance to each other.

Since the September 2012 inception of the IPR program, patent challengers have filed 4,049 IPR petitions.[3] This far outpaces use of the *inter partes* reexamination system, which saw only 1,919 petitions between 2000 and 2013.[4] As of January 31, 2016, 2,807 IPR petitions had been filed and ruled upon at the institution stage, and 797 (28% of the to-

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[3] U.S. Patent and Trademark Office, *Patent Trial and Appeal Board Statistics* (Jan. 31, 2016), http://www.uspto.gov/sites/default/files/documents/ 2016-01-31%20PTAB.pdf ("*USPTO IPR Data*").

[4] U.S. Patent and Trademark Office, Inter Partes *Reexamination Filing Data* (Sept. 30, 2014), http://www.uspto.gov/sites/default/files/documents/inter_parte_historical_stats_roll_up_EOY2014.pdf ("*USPTO IPRX Data*").

tal institution decisions) had been denied institution. *USPTO IPR Data, at 7.* Two thousand six hundred of the IPR petitions have reached a final disposition. Of the 792 petitions that proceeded through completion of trial with a final written decision, only 107 trials (4% of total petitions; 14% of final written decisions) concluded with all claims intact. *USPTO IPR Data, at 9.* And, amended claims are virtually non-existent, as the USPTO has interpreted the AIA as providing patent owners only with the right to file a motion seeking to amend claims, not with any right to have amended claims considered during the IPR. *See Cuozzo I* at 1287-88 (Newman, J., dissenting). By stark contrast, in *inter partes* reexamination, patent holders emerged with the same claims or amended claims 69% of the time. *USPTO IPRX Data.* In *ex parte* reexamination, 88% of petitions resulted in amended or unchanged claims.[5] At bottom, the results to date show that *inter partes* reviews invalidate and cancel claims in a way never seen in the reexamination process in which new amended claims were a common occurrence.

Since 2012, patent defendants have filed a growing number of motions to stay litigation pending the results of an *inter partes* review. A picture is developing in which parties strategically shift forums from district court to the USPTO. Aashish Kapadia, *Inter Partes Review: A New Paradigm in Patent Litigation*, 23 Tex. Intell. Prop. L.J. 113 (2015). The trend

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[5] U.S. Patent and Trademark Office, Ex Parte *Reexamination Filing Data* (Sept. 30, 2014), http://www.uspto.gov/sites/default/files/documents/ex_parte_historical_stats_roll_up_EOY2014.pdf.

toward requesting stays in litigation is apparent, with an average grant rate between 60-70%. *Id.* at 131.

The standards applied to adjudicate patent validity are critical in analyzing whether inventions in a new product can be protected through patent protection and enforcement. Given the number of review petitions filed since the creation of IPR in 2012, it must now be considered a dominant force in adjudicating patents and rendering them invalid. Reexamination has never played this role, given the high rate of patents emerging with amended or unchanged claims. In fact, the results from IPR proceedings to date suggest that the validity standards applied in IPRs are the most important factors to consider, given the propensity of these proceedings to invalidate patents.

To date, the district court approach to assessing invalidity has weighed at the forefront of the analysis when assessing the likelihood of successful patent enforcement. In prior art based invalidation under 35 U.S.C. §§ 102 and 103, the claim construction rules play a critical role in the invalidity analysis. The plain and ordinary meaning claim construction standard has developed over a longstanding body of jurisprudence and provides a well-developed framework. The advent of IPR proceedings as a dominant vehicle for adjudicating patent validity using the broadest reasonable interpretation standard from the reexamination paradigm presents a sea change in patent jurisprudence in this country, given the track record of patent challenge success at the PTAB.

B. Congress Expressly Provided for the Director to Use the Broadest Reasonable Interpretation Standard in *Inter Partes* Reexaminations

Prior to Congress creating *inter partes* review, 35 U.S.C. § 314 was titled "Conduct of inter partes reexamination proceedings" and contained the following text:

> Except as otherwise provided in this section, ***reexamination shall be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133.***

(emphasis added).

Section 132, "Notice of rejection; reexamination," and section 133, "Time for prosecuting application," appear in chapter 12, which is titled "Examination of Application." During examination of patent applications, USPTO examiners apply the broadest reasonable interpretation standard. *See Cuozzo I* at 1276 ("This court has approved of the broadest reasonable interpretation standard in a variety of proceedings, including initial examinations and reexaminations.").

The broadest reasonable interpretation is appropriate in the "examination of pending applications, as the applicant and the examiner interact to define the invention so as to distinguish or avoid overlap with prior art." *Id.* at 1286 (Newman, J., dissenting) (citing *In re Zletz*, 893 F.2d 319, 321-22 (Fed. Cir. 1989)). "Giving proposed claims their broadest reasonable interpretation 'serves the public interest by reducing the possibility that claims, finally allowed,

will be given broader scope than is justified.'" *Id.* (citation omitted).

C. In the AIA, Congress Chose Not to Designate Examination Standards, Such As the Broadest Reasonable Interpretation, for Use in *Inter Partes* Reviews

In the AIA, Congress struck the entire text of 35 U.S.C. § 314, including its reference to the use of examination procedures in sections 132 and 133. Section 314 is now titled "Institution of *inter partes* review" and includes the following:

> The Director may not authorize an inter partes review to be instituted unless the Director determines there is a reasonable likelihood that the ***petitioner would prevail*** with respect to at least 1 of the claims challenged in the petition.

(emphasis added).

In an IPR, a petitioner "prevails" by showing that one or more claims of a patent should be cancelled "on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications." *See* 35 U.S.C. § 311(b).

Notably, the AIA did not make any reference in the new version of section 314 to the PTAB conducting IPRs "according to the procedures established for initial examination under the provisions of sections 132 and 133." Instead, the AIA set forth section 316, which specifies the scope of regulations the Director can prescribe for IPRs. As explained below, section 316 contains no express authorization for the USPTO

to establish any substantive standards, let alone the right to establish regulations for construing patent claims or evaluating invalidity under section 102 or 103. Congress could have expressly given the Director this authority in section 316 or maintained the use of "examination procedures in Section 132 and 133," but Congress chose not to do so.

D. Congress Did Not Provide the Director the Authority to Prescribe Regulations Establishing a Claim Construction "Standard" for IPRs Other Than the Plain and Ordinary Meaning Established by the Judiciary

Section 316, which authorizes the Director to prescribe regulations, is titled "Conduct of *inter partes* review." "The word 'conduct' connotes procedure. Section 316 identifies areas whose conduct is assigned to the [US]PTO, including public access to proceedings, discovery rules, and the right to a hearing." *Cuozzo I* at 1290 (Newman, J., dissenting). As Judge Newman indicates, there is "no authorization to the [US]PTO to change the law of how claims of issued patents are construed." *Id.* (citation omitted).

When Congress meant to provide the Director with the authority to set standards pursuant to section 316, Congress did so by explicitly authorizing the following:

> setting forth the ***standards*** for the showing of ***sufficient grounds to institute*** a review under section 314(a) (35 U.S.C. § 316(a)(2));
>
> setting forth ***standards*** and procedures ***for discovery*** of relevant evidence (35 U.S.C. § 316(a)(5));

> setting forth ***standards*** and procedures for ***allowing the patent owner to move to amend*** the patent (35 U.S.C. § 316(a)(9)).

These authorized standards are all limited to processes or thresholds for procedural activity, such as institution (with the substantive threshold for institution specified in section 314), discovery, and moving to amend. These are analogous to pleading and discovery rules in the Federal Rules of Civil Procedure. Section 316 does not specify authority allowing the Director to establish standards on substantive matters of validity and the construction required to assess validity. *See* 35 U.S.C. § 311(b) ("A petitioner in an *inter partes* review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103.").

E. The *Cuozzo I* Panel Majority's Reliance on Section 316 as Support for Director Authority to Set Claim Construction Standards is Misplaced

The *Cuozzo I* majority concluded that "section 316(a)(4) further provides the USPTO with authority to prescribe regulations 'establishing and governing *inter partes* review under this chapter and the relationship of such review to other proceedings under this title.'" *Cuozzo I* at 1278. The majority goes on to assert that the regulation calling for use of the broadest reasonable interpretation standard "presents a reasonable interpretation of the statute." *Id.* at 1279.

> [T]he language of § 316 readily covers the specific action the [US]PTO has taken here, which

> is the opposite of a sharp departure from historical practice. The [US]PTO has merely embodied in a regulation the approach it has uniformly applied, even without rulemaking, when it is interpreting 'claims' to assess patentability.

Cuozzo I at 1279.

However, as explained above, there is no basis for extending any portion of section 316 to allow the Director to set substantive standards used by the PTAB to construe claims when adjudicating patent validity. First, section 316 is limited to procedural "conduct." Second, the plain meaning of the words used in section 316(a) show that Congress knew how to authorize the Director to set "standards" when it chose to do so, and it did not do so in section 316(a)(4). Third, Congress intended *inter partes* reviews to be a new post-grant review system, before a new adjudicatory body (the PTAB), acting as a surrogate for a district court and reviewing validity in a court-like proceeding. *Cuozzo I* at 1284 (Newman, J., dissenting) (citing H.R. Rep. No. 112–98, pt. 1, at 48, 68 (2011), 2011 U.S.C.C.A.N. 67, 78, 92). In a court-like proceeding, Congress intended "court-like" standards for assessing validity to apply, including the plain and ordinary standard for determining the proper construction of patent claims.

F. The *Cuozzo I* Panel Majority's Reliance on the USPTO's History of Applying the Broadest Reasonable Interpretation Standard in Examination and Reexamination Proceedings is Misplaced

The *Cuozzo I* majority states:

> This court has approved of the broadest reasonable interpretation standard in a variety of proceedings, including initial examinations, interferences, and post-grant proceedings such as reissues and reexaminations. Indeed, that standard has been applied in every [US]PTO proceeding involving unexpired patents. In doing so, we have cited the long history of the [US]PTO's giving claims their broadest reasonable construction.

Cuozzo I at 1276-77

The majority goes on to assert "[t]here is no indication that the AIA was designed to change the claim construction standard that the [US]PTO has applied for more than 100 years." *Id.* at 1277

However, an "*inter partes* review is neither a patent examination proceeding nor a patent reexamination proceeding." *Idle Free Sys. v. Bergstorm*, 2014 WL 824156, at *19 (Patent Tr. & App. Bd. Jan. 7, 2014). "In the PTAB's own words, '[a]n *inter partes* review is a trial, adjudicatory in nature [which] constitutes litigation.'" *Cuozzo I* at 1289 (Newman, J., dissenting) (citing *Google Inc. v. Jongerius Panoramic Techs., LLC*, IPR2013–00191, Paper No. 50, at 4 (Feb. 13, 2014)).

As Judge Newman notes, "[t]he extensive congressional criticism of the now-discarded inter partes

reexamination belies the majority's 'inference' that Congress silently approved practices it was not explicitly adopting. These discarded practices resulted in lengthy delays as well as indecisive results." *Id.* at 1288 (citation omitted).

> The America Invents Act was designed to remedy these flaws, and to provide an adjudicatory proceeding with the benefits of adversary participation. Thus the Act provides for discovery, witnesses, argument, and other litigation procedures. The House Report explained that Congress intended to "convert" inter partes reexamination "from an examinational proceeding to an adjudicative proceeding."

Id. (citation omitted).

The stark difference in the treatment of amendments in IPRs, as compared to examination or reexamination, makes clear that IPRs are wholly different. "Patent prosecution is a fluid exchange between the examiner and the applicant, and the expedient of broadest reasonable interpretation during examination is based on, and depends on, the applicant's right to amend the claims." *Cuozzo I* at 1287 (Newman, J., dissenting). "In routine examination and reexamination, the amendment of a claim is a back-and-forth process between an examiner and the applicant, who may present amendments and new claims." *Id.*

Unlike examination or reexamination, in an IPR,

> [t]he proposed substitute claims are not entered automatically and then subjected to examination. Rather, the proposed substitute

> claims will be added directly to the patent, without examination, if the patent owner's motion to amend claims is granted. As the moving party, a patent owner bears the burden to show entitlement to the relief requested.

Idle Free Sys., 2014 WL 824156, at *19. The burden is "on the patent owner to show general patentability over prior art." *Id.*

As Judge Newman points out:

> The majority trivializes this difference, curiously stating that these post grant proceedings do not "involve any restriction on amendment opportunities that materially distinguishes IPR proceedings from their predecessors in the patent statute." That is incorrect. Amendment in post-grant validity proceedings is not of right, and thus far appears to be almost entirely illusory.
>
> It is beyond debate that Inter Partes Review does not allow the kind of iterative amendment process that is part of the "broadest reasonable interpretation" protocol in examination. The restricted role of amendment in the America Invents Act proceedings comports with the intended and expected "correct" claim construction, not the broadest claim construction. It comports with district court practices in adjudication, not [US]PTO practices in examination.

Cuozzo I at 1288 (Newman, J., dissenting).

The amendment procedures in an IPR are most akin to the rules applied to expired patents in reex-

amination because the claims cannot be amended. In that situation, "claim construction pursuant to the principle set forth by the court in *Phillips v. AWH Corp.*, 415 F.3d 1303, 1316 (Fed. Cir. 2005) (words of a claim 'are generally given their ordinary and customary meaning' as understood by a person of ordinary skill in the art in question at the time of the invention) should be applied since the expired claims are not subject to amendment." *Id.* at 1287 (citation omitted).

Further, the America Invents Act

> refers to the "proper meaning of a patent claim," see 35 U.S.C. § 301(d) (referring to "the proper meaning of a patent claim in a proceeding that is ordered or instituted pursuant to section 304, 314, or 324"). The "proper meaning" is the correct meaning, applying the law of claim construction. The new USPTO regulation authorizing "broadest reasonable interpretation" in these post-grant proceedings defeats "the will of Congress as expressed in the statute."

Id. at 1290 (citation omitted).

II. THE FEDERAL CIRCUIT'S ERRONEOUS DECISION TO UPHOLD USE OF THE BROADEST REASONABLE INTERPRETATION STANDARD TO CONSTRUE CLAIMS IN *INTER PARTES* REVIEWS WARRANTS CORRECTION BY THIS COURT

A. Supreme Court Review Traditionally Has Corrected the Course of Patent Jurisprudence When Special Rules Emerge to Create Unusual Results, As Is the Case Here

When the Federal Circuit has modified long standing legal principles for use in patent matters, this Court has stepped in to ensure that rules for patent law do not unnecessarily stray from general jurisprudence. Like any other body of law, patent law must respect governing doctrines that frame its application by courts.

For example, in *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 836 (2015), this Court vacated and remanded because the Federal Circuit applied *de novo* review to all aspects of the district court's claim construction, including the determination of subsidiary facts. The Court explained that Federal Rule of Civil Procedure 52 requires that courts of appeals "must not set aside" a district court's factual findings unless they are clearly erroneous. The "Federal Circuit reviews the claim construction decisions of federal district courts throughout the Nation, and we consequently believe it important to clarify the standard of review that it must apply when doing so." *Id.* at 836. The Court found that its precedent on claim construction "did not cre-

ate an exception from the ordinary rule governing appellate review of factual matters." *Id.* at 838.

In *eBay, Inc. v. MercExchange, LLC*, 126 S. Ct. 1837 (2006), this Court vacated and remanded a case involving special patent rules applied to the grant of injunctions. The Court declared that the Federal Circuit "articulated a 'general rule,' unique to patent disputes, 'that a permanent injunction will issue once infringement and validity have been adjudged.'" *Id.* at 1841. This Court found that "the Court of Appeals erred in its categorical grant of such relief." *Id.* The familiar principles of deciding whether to grant or deny a permanent injunction "apply with equal force to disputes arising under the Patent Act." *Id.* at 1839.

In the present case, the Federal Circuit upheld the use of the broadest reasonable interpretation claim construction standard in adjudicative IPR proceedings. *Cuozzo I* at 1279. Then, it denied *en banc* review. *See In re Cuozzo Speed Techs., LLC*, 793 F.3d 1297, 1298 (Fed. Cir. 2015) (*Cuozzo II*). As in *Teva* and *eBay*, in which this Court vacated and remanded, the Federal Circuit reached its decision in *Cuozzo I* by again applying special rules that are not warranted under this Court's patent jurisprudence or general principles of administrative law.

The *Cuozzo I* majority held that the Director of the USPTO has the authority to set the standard for claim construction, based in large part on the USPTO's tradition of applying the broadest reasonable interpretation standard in the examination of patent applications and reexamination of issued patents. *Cuozzo I* at 1277. This tradition, however, is not applicable here. As explained above, section 316,

which authorizes the Director to prescribe regulations, does not allow the Director to create substantive legal standards, such as the construction of claims as required by an invalidity analysis. The *Cuozzo I* panel "decision ignores the usual rule that, '[o]rdinarily, Congress' silence is just that—silence.'" *Cuozzo II* at 1299 (Prost, J., dissenting). As Chief Judge Prost articulated in her dissent from denial of *en banc* review, "[t]he panel majority holds that 'Congress implicitly approved the broadest reasonable interpretation standard in enacting the [AIA]'

This conclusion cannot stand, as it does, on a silent statute, a contrary legislative history, and a line of case law that counsels an opposite result." *Id.*

Moreover, using special rules to foist USPTO tradition into IPRs leads to a conflicting result that patents have two "proper" boundaries at the same point in time—one in a district court suit for patent infringement based on the plain and ordinary meaning standard and another in the PTAB based on the broadest reasonable interpretation standard. A patent claim, however, like any other piece of property, cannot logically have more than one "proper" boundary. Indeed, it has long been black letter patent law that the claims of issued patents must be interpreted the same for purposes of determining invalidity and infringement. *See, e.g., Peters v. Active Mfg. Co.*, 129 U.S. 530, 537 (1889) ("[t]hat which infringes, if later, would anticipate, if earlier"); *White v. Dunbar*, 119 U.S. 47, 51 (1886) (a patent claim is not "a nose of wax which may be turned and twisted in any direction").

B. Patent Examination Traditions Should Not Dictate Invalidity Analyses in New Adjudicatory IPR Proceedings

The broadest reasonable interpretation standard is designed for patent examination and reexamination proceedings as a procedural mechanism for helping define the boundaries of a patent claim in the back and forth applicant-examiner discussion during the prosecution of a patent application and during reexamination or reissue. "The purpose of construing claims broadly during examination is to restrict or clarify the applicant's proposed claims, not to broaden them" so they can be invalidated. *Cuozzo I* at 1286 (Newman, J., dissenting) (citation omitted). "The 'broadest' protocol aids the applicant and the examiner in defining claim scope during prosecution. It is not a claim construction on which substantive legal rights of validity or infringement are based, or are intended to be based." *Id.* at 1287 Yet, this is exactly how the broadest reasonable interpretation construction has been wielded in *inter partes* review, with great impact on patent portfolios.

The Director's authority to empower the PTAB to use the broadest reasonable interpretation standard when adjudicating validity is a crucial issue. This is particularly true since only 14% of patents emerge from completed PTAB trials unscathed. *USPTO IPR Data*, at 9. The Federal Circuit's 6 to 5 refusal of *en banc* review demonstrates a narrowly divided difference of opinion on the correct approach to claim construction in *inter partes* review and the authority of the Director. *See Cuozzo II.*

One set of Federal Circuit jurists declares that the PTAB's use of the broadest reasonable interpre-

tation standard is reasonable, based on its traditional application in the examination and reexamination environment, an environment where claims are malleable. Another group questions whether the Director has any authority under the AIA to set substantive standards for adjudicating invalidity, including the standard for proper construction.

Without doubt, the AIA provides the Director with the express authority to set certain "standards" pursuant to 35 U.S.C. § 316(a), all of which relate to the procedures for establishing and administering IPR proceedings. However, as explained above, the AIA is silent about the Director's authority to set standards for substantive determinations of patentability, including claim construction. Moreover, the AIA's elimination of reference to sections 132 and 133 regarding patent ***examination*** standards disfavors application of the broadest reasonable interpretation in *inter partes* ***reviews***.

Chief Judge Prost in her dissent from *en banc* denial explains IPR "is a new, court-like proceeding designed to adjudicate the validity of issued patent claims. In adjudicatory proceedings, claims are given their actual meaning, not their broadest reasonable interpretation." *Cuozzo II* at 1299 (Prost, J., dissenting). "Congress was not legislating within an already existing regime." *Id.* at 1300.

The contrast in outcomes between IPRs and reexaminations demonstrates that IPRs are not "business as usual" at the USPTO. Congress not only provided a new proceeding, it carefully restricted the Director's authority to establish only regulations for certain procedural standards unrelated to adjudicating patentability. Congress did not grant authority

for the Director to apply a traditional USPTO examination standard to replace the judiciary's long-standing plain and ordinary meaning standard.

Nor does the Director's discretion to consolidate IPR proceedings with other USPTO proceedings in which broadest reasonable interpretation traditionally has been applied, such as *ex parte* reexaminations, justify the use of that standard in IPR proceedings. Under the AIA, the Director's decision to consolidate proceedings is wholly discretionary. If different claim construction standards make consolidation improper or unworkable, Congress expressly afforded the Director with the discretion not to consolidate. Additionally, as discussed in Part III.A. below, the vast majority of IPRs have concurrent district court litigation, whereas consolidated USPTO proceedings are likely to be rare. By contrast, the harm to the patent system in having inconsistent claim constructions in concurrent litigation and IPRs is real and serious.

For the foregoing reasons, this Court should find that the PTAB's use of the broadest reasonable interpretation standard during *inter partes* review proceedings is incorrect, and that the proper claim construction standard is the plain and ordinary meaning standard. Doing so will establish the Director's scope of authority in claim construction as intended by the AIA and enable consistency between PTAB and federal court determinations on patent construction and validity.

III. THE FEDERAL CIRCUIT INCORRECTLY HELD THAT THE DIRECTOR'S INSTITUTION OF AN IPR IS UNREVIEWABLE

A. Review of the Director's Adherence to the Scope of Statutory Authority When Instituting an IPR is Vitally Important to Patentees

As indicated above, since the inception of the AIA, post-grant proceedings have rapidly gained favor as an alternative to litigation, with IPR proceedings by far the most widely used. Through January 31, 2016, the USPTO has received 4,049 IPR Petitions, which represents 90% of total AIA Petitions. *USPTO IPR Data*, at 2. The use of IPRs as a vehicle for challenging the validity of patents is increasing, with the USPTO witnessing a 33% increase in IPR Petitions from FY2014 to FY2015. *USPTO IPR Data*, at 3. And of the IPR Petitions terminated as of January 31, 2016, there were a staggering 39,346 patent claims challenged. *USPTO IPR Data*, at 12.

New empirical research indicates that roughly 70% of IPR Petitions are brought by petitioners who are also defendants in patent lawsuits filed in U.S. district courts. *See* Vishnubhakat, Saurabh and Rai, Arti K. and Kesan, Jay P., *Strategic Decision Making in Dual PTAB and District Court Proceedings*, (February 10, 2016). Berkeley Tech. L.J., Forthcoming. Available at SSRN: http://ssrn.com/abstract=2731002. This very high percentage of dual PTAB-district court patent validity proceedings provides further support for using the same claim construction in both forums. As noted by these authors:

> [T]he PTAB should ensure that litigants can reliably turn to administrative process in lieu of judicial process for adjudicating the validity of patents without risking *substantively* conflicting outcomes. Likelihood of such conflict, however, is precisely what the PTAB has created by construing patent claims under a "broadest reasonable interpretation" standard rather than the "plain and ordinary meaning" standard used in federal courts.

Id. at 31.

Perhaps even more surprising is the fact that about 30% of IPR cases are brought by petitioners that are not the target of a prior suit on the same patent. *Id.* at 6. This non-litigation related petitioning could be viewed as providing a social benefit (challenging invalid patents) or a form of harassment (serial petitioning on the same patent). *Id.* Regardless of the motivation of petitioners, IPR proceedings are increasing and will likely continue to serve as an important venue for assessing the validity of thousands of patents. It is therefore critical that IPR and other post-grant proceedings before the PTAB be viewed as a reliable, fair and cost-effective surrogate to federal court litigation, as intended by Congress in passing the AIA. And one factor in meeting that goal is the availability of appellate review on institution decisions once a final written opinion has been rendered, to ensure that the USPTO has not exceeded its statutory authority.

IPRs can have an even greater impact on patent ownership than district court litigation. For example, the congressionally mandated estoppel effect of IPR proceedings is comparatively strong. Under 35

U.S.C. § 315(e), an IPR that results in a final written decision precludes the petitioner from requesting another USPTO proceeding with respect to that patent claim, or from asserting in federal court or the International Trade Commission that the claim is invalid "on any ground that the petitioner raised or reasonably could have raised during that inter partes review." Additionally, by law, IPR proceedings generally trigger automatic stays of co-pending declaratory judgment litigation if the petitioner files a civil action on or after the date the petitioner filed the IPR. 35 U.S.C. § 315(a).

The AIA is drafted to prevent *interlocutory* appeals of the Director's institution decision, and to preclude an appeal of the Director's denial of a petition to institute an IPR. Moreover, once a final decision has been issued, a patent owner cannot appeal the original institution decision on the merits – *i.e.*, that the prior art did not meet the statutory threshold for institution. However, contrary to the Federal Circuit's decision below, the AIA does not preclude any and all judicial review of the Director's compliance with statutory authority to institute an IPR once a final written decision has issued. Congress could not have intended to allow the Director to disregard the clear statutory requirements of IPR institution decisions without consequence and with no possibility of relief short of mandamus.

In light of the prevalence of IPR proceedings, their broad estoppel effect, and the integral relationship between IPRs and federal court litigation, it is of paramount importance that the Director not overstep statutory bounds in instituting an IPR proceeding. Judicial review is the method for assuring compli-

ance with the statute. For example, if an IPR is improperly instituted more than one year after service of a complaint or after a declaratory judgment action has been filed, judicial review provides a means of objecting. If the PTAB applies prior art against patent claims not presented in the petition, as Petitioner Cuozzo alleges, judicial review can correct the error.

Yet the Federal Circuit's decision below would prevent review of these and any other instances where the Director or the PTAB exceed their statutory authority. IPO urges the Court not to let stand a decision that would allow a U.S government agency to exceed the explicit statutory authority granted by Congress. Granting the USPTO unchecked authority in IPR proceedings might encourage still more special rules for patent cases. Such an outcome is contrary to other recent patent decisions of this Court (*e.g.*, *Teva* and *eBay*), and it is contrary to other legal precedent holding that judicial review of administrative action is unquestionably the norm, as discussed below.

B. There Is a Strong Presumption That Congress Intends Judicial Review of Administrative Action

There is a strong presumption that Congress intended to allow judicial review of whether the PTAB's decision to institute an *inter partes* review exceeded its statutory authority. This reflects the normal course of administrative law in all subject matter areas. *See Bowen v. Michigan Academy of Family Physicians*, 476 U.S. 667, 670 (1986); *see also* 5 U.S.C. § 702 ("A person suffering legal wrong because of agency action, or adversely affected or ag-

grieved by agency action within the meaning of a relevant statute, is entitled to judicial review thereof."). That presumption can be overcome "only upon a showing of 'clear and convincing evidence' of a contrary legislative intent." *Bowen*, 476 U.S. at 671 (*citing Abbott Labs. v. Gardner*, 387 U.S. 136, 141 (1962)).

"Of course, the 'clear and convincing evidence' standard has never turned on a talismanic test." *Lindahl v. Office of Pers. Mgmt.*, 470 U.S. 768, 778-79 (1985). "Whether and to what extent a particular statute precludes judicial review is determined not only from its express language, but also from the structure of the statutory scheme, its objectives, its legislative history, and the nature of the administrative action involved." *Block v. Community Nutrition Inst., 467* U.S. 340, 345 (1984). "A clear command of the statute will preclude review; and such a command of the statute may be inferred from its purpose." *Barlow v. Collins*, 397 U.S. 159, 167 (1970).

The Government contends that the language of section 314(d) clearly forecloses any appeal of the PTAB's decision to institute an *inter partes* review. (Opp. at 17.) The statute's language, however, does not unambiguously forbid review when the PTAB exceeds its statutory authority by applying legal procedures or standards not supported by the statute.

Section 314(d) expressly precludes review of the "*determination* by the Director whether to institute an *inter partes* review under this section." 35 U.S.C. § 314(d) (emphasis added). The "determination" referred to in subsection (d) is defined in subsection (a) as the Director's finding that "the information presented in the petition and any response shows

that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." *Id.* at § 314(a). Thus, the express language of section 314(d) only precludes review of the Director's factual determination, as that term is defined in subsection (a), and it does not preclude appeal of the Director's decision to institute an *inter partes* proceeding on another basis.

In a case involving similar statutory language precluding review of an administrative agency's "decisions," this Court held that Congress did not clearly intend to preclude review of procedural or legal errors. In *Lindahl*, the Court addressed whether section 8347(c) of the Civil Service Retirement Act precluded all review of the Merit Systems Protection Board's (MSPB) final judgment of an Office of Personnel Management's (OPM) decision. The OPM decision related to disability and dependency in administering benefits to employees and their dependents under the Act. Section 8347(c) provided that the OPM "shall determine questions of disability and dependency" but that "[e]xcept to the extent provided under subsection (d) of this section, the decisions of the Office concerning these matters are final and conclusive and are not subject to review." 5 U.S.C. § 8347(c). Subsection (d) permitted review only by the MSPB. *Id.* at § 8347(d).

This Court disagreed with the Federal Circuit's reasoning that the express language of section 8347(c) clearly precluded any review of legal or procedural errors:

> To begin with, while § 8347(c) plausibly can be read as imposing an absolute bar to judicial review, it also quite naturally can be read as

> precluding review only of OPM's factual determinations about "questions of disability and dependency." Under this reading of § 8347(c)'s language, the factual "question" whether an applicant is disabled is quite distinct from questions of what laws and procedures the OPM must apply in administering the Retirement Act.

Lindahl, 470 U.S. at 779. Although section 8347(c) spoke to the preclusive effect of the OPM's factual determinations, this Court was not persuaded that under the plain language of the statute, Congress intended to preclude review of procedural and legal errors as well. *Id.* at 779-80 ("[W]hen Congress intends to bar judicial review altogether, it typically employs language far more unambiguous and comprehensive than that set forth in § 8347 ").

Section 314(d)'s language does not preclude review of all errors. As this Court noted in *Lindahl*, if Congress intended to preclude all review, this would be clear from the face of the statute. *See* 470 U.S. at 780, 780 n.13 (citing to 5 U.S.C. § 812(b) ["The action of the Secretary [of Labor] or his designee in allowing or denying a payment under this subchapter is—*(1) final and conclusive for all purposes and with respect to all questions of law and fact; and (2) not subject to review by another official of the United States or by a court by mandamus or otherwise*"] (emphasis added); 38 U.S.C. § 211(a) ["[T]he decisions of the Administrator on any question of law or fact under any law administered by the Veterans' Administration providing benefits for veterans and their dependents or survivors *shall be final and conclusive and no other official or any court of the United States shall have*

power or jurisdiction to review any such decision by an action in the nature of mandamus or otherwise"] (emphasis added)).

Just as with section 8347(c) in *Lindahl*, the preclusive language in section 314(d) only expressly precludes review of the PTAB's factual determination. The statute does not forbid review of the PTAB's determination on other grounds, such as when the PTAB exceeds its statutory authority under the AIA by applying incorrect procedures or legal standards.

C. There Is No Basis to Extend Section 314(d) to Preclude Judicial Review As to the Propriety of Institution After a Final Written Decision Has Been Rendered

Section 314(d) is designed to prevent *interlocutory* appeals of the Director's institution decision, and to preclude an appeal of the Director's denial of a petition to institute an IPR. *See St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373 (Fed. Cir. 2014) (holding that section 314(d) precludes *interlocutory* review of decisions whether to institute IPR). However, section 314(d) does not preclude judicial review of the Director's compliance with statutory authority to institute an IPR once a final written decision has issued.

Importantly, the AIA's legislative history does not provide clear and convincing evidence demonstrating that Congress intended section 314(d) to have such an expansive preclusive effect on judicial review. In fact, the legislative history supports a finding that Congress intended aggrieved parties to have the ability to appeal a final, adverse decision regardless of the basis for that appeal. The AIA was "designed to

establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs." H.R. Rep. 112-98(I), at 40 (2011), *reprinted* in 2011 U.S.C.C.A.N. 67. To accomplish this, the AIA established an *inter partes* review, replacing the reexamination procedure. *Id.* at 45. Prior to the AIA, Congress had amended the reexamination procedure to correct "several limitations that later proved to make it a less viable alternative to litigation for evaluating patent validity." *Id.* One such limitation under the original reexamination proceeding was that the challenger "had no right to appeal an examiner's, or the Patent Board's decision either administratively or in court." *Id.*

With the AIA, Congress wanted to continue to "remove current disincentives to current administrative processes" and provide "quick and cost effective alternatives to litigation." *Id.* at 48. Certainly, limiting review to the PTAB's final decision without providing review of whether the PTAB exceeded its statutory authority in instituting the proceeding would be a disincentive to choose the administrative proceeding over litigation. There is no reason to believe Congress intended to limit the basis for an appeal of a final written decision, including whether the PTAB lacked authority to render it. If Congress so intended, it could have affirmatively expressed this limitation in sections 314 and 319, but did not.

The Federal Circuit's opinion below ignores this legislative intent in suggesting (but not deciding) that mandamus may be available to challenge the PTAB's decision to institute after a final written decision. Neither the statute nor the legislative history

even hint at the idea that mandamus is a realistic option, or the sole option, for review of an institution decision in cases where the USPTO has exceeded its statutory authority. The high burden placed on issuance of a writ of mandamus flies in the face of Congress' goal of providing a rapid, cost-effective and fair alternative to litigation.

Moreover, the Federal Circuit's decision here directly conflicts with another recent decision on judicial review of Covered Business Method (CBM) patent review proceedings. In *Versata Dev. Group v. SAP Am.*, 793 F.3d 1306, 1319 (Fed. Cir. 2015), the Federal Circuit held that institution of a CBM proceeding is reviewable after a final written decision to assess Director compliance with any requirement that involves the statutory authority of the Director to invalidate a patent. With regard to CBM proceedings, 35 U.S.C. § 324(e) governs institution decisions by the PTAB, and includes virtually identical language to section 314(d) regarding IPR institution decisions. Section 324(e) states that "[t]he determination by the Director whether to institute a post-grant review under this section shall be final and nonappealable." In reaching the opposite conclusion it reached in the instant case, the Federal Circuit recognized that the language of section 324(e) "does not by its terms apply to limits on the authority to enter a 'final written decision' invalidating a patent." *Id.* The court in *Versata* discussed at length this Court's emphasis on the long tradition and strong presumption of judicial review of government action, and concluded that "nothing in § 324(e) meets the high standard for precluding review of whether the PTAB has violated its invalidation authority." *Versata* at 1320.

The outcome and rationale in *Versata* apply here with regard to section 314(d). The USPTO Director cannot with impunity exceed her statutory authority to invalidate a patent by improperly instituting an IPR proceeding. This Court's many decisions on judicial review of agency actions, the plain language of the statute itself, the legislative history of the AIA, and the Federal Circuit's own jurisprudence support this important restraint on the USPTO's ability to alter the legal rights of an affected stakeholder. Any other conclusion treats patent law administrative proceedings differently than other areas of law, and falls out of step with traditional administrative jurisprudence.

CONCLUSION

In the case of disparate patent claim construction standards in the courts and the USPTO, as endorsed by the *Cuozzo I* majority, the same government issued patent property will have different boundaries in concurrent proceedings before the PTAB and the courts. This anomalous result, contradicting well over a century of black letter patent law, is a direct result of the Federal Circuit acting out of step with established precedent for analyzing an agency's rule making authority, and erroneously relying on the unique traditions of the USPTO in proceedings unrelated to the newly created *inter partes* review proceedings. The resulting harm to the patent system is real, serious, and increasing as the number of pending IPRs grows each day. This Court has the opportunity to restore its jurisprudence to patent validity determinations issuing from the USPTO, and it should do so before the problem grows even further. For all the foregoing reasons, IPO respectfully re-

quests that this Court confirm that the proper claim construction standard in IPR proceedings is the plain and ordinary meaning standard, and that the Director's institution of an IPR is subject to judicial review after a final written decision to consider whether she has exceeded her statutory authority.

Respectfully submitted,

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